

## Message Text

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TAGS: EIND, KS

SUBJ: PROSPECTS FOR U.S. LIFE INSURANCE VENTURE IN KOREA:

VISIT OF AMERICAN INTERNATIONAL GROUP SPECIALISTS

REF: SEOUL A-94 APRIL 17, 1974

1. BEGIN SUMMARY: SUBJECT OF INCREASED PARTICIPATION IN KOREAN INSURANCE INDUSTRY HAS RECEIVED INCREASED ATTENTION AS A RESULT OF VISITS U.S. INDUSTRY REPRESENTATIVES. KOREAN OFFICIALS ARE INTERESTED IN GENERATING CAPITAL FOR DEVELOPMENT THROUGH A REVITALIZATION OF THEIR LIFE INSURANCE INDUSTRY, POSSIBLY WITH ASSISTANCE FROM U.S. FIRMS. THIS SUBJECT WILL BE CONSIDERED AT SIXTH U.S.-KOREAN INTER-MINISTERIAL IN JUNE. END SUMMARY.

2. R.A. KLINGLER, PRESIDENT AND MANAGING DIRECTOR, AND Y.S. CHEN, VICE PRESIDENT, OF NAN SHAN LIFE INSURANCE CO., TAIPEI (A97PCT OWNED SUBSIDIARY OF AMERICAN INTERNATIONAL GROUP (AIG) CAME TO SEOUL APRIL 30 TO PREPARE A PRELIMINARY SURVEY OF THE LIFE INSURANCE MARKET IN KOREA. DURING THEIR VISIT THEY CONSULTED WITH KOREAN INSURANCE FIRMS, THE LIFE INSURANCE ASSOCIATION OF KOREA, THE MINISTRY OF FINANCE AS WELL AS THE EMBASSY.

3. THE SURVEY WAS INITIATED AS THE RESULT OF VISITS BY MAURICE R. GREENBERG, PRESIDENT OF AIG, AND HENRY R. KEARNS, A MEMBER OF THE AIG BOARD OF DIRECTORS. IN A SERIES OF  
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MEETINGS AND SOCIAL ENGAGEMENTS WITH MINISTER NAM ARRANGED

FOR THESE VISITORS BY THE AMBASSADOR, THE MINISTER HAD EXPRESSED INTEREST IN THE POSSIBILITY OF REFORMING THE KOREAN LIFE INSURANCE INDUSTRY AS A SOURCE OF CAPITAL FOR KOREA'S INDUSTRIAL EXPANSION.

4. MOST LIFE INSURANCE POLICIES NOW SOLD IN KOREA ARE OF THE 5-YEAR ENDOWMENT KIND, AND LIFE INSURANCE FIRMS HERE ARE ONLY marginally profitable. (ONE FIRM, IN FACT, BECAME INSOLVENT IN 1973 AND HAS BEEN REORGANIZED UNDER NEW OWNERSHIP.) AIG PROPOSES TO STUDY THE FEASIBILITY OF A JOINT VENTURE OPERATION THAT WOULD CONCENTRATE ON STRAIGHT-LIFE POLICIES. THE AIG REPRESENTATIVES FELT THAT A NEW APPROACH TO THE MARKET WOULD PERMIT THE DEVELOPMENT OF A MARKET FOR SUCH LONG-TERM POLICIES, AND THAT THEY COULD READILY COMPENSATE FOR SUCH FACTORS AS CONSTANT INFLATION AND HIGH INTEREST RATES.

5. ON MAY 3, MR. KLINGLER MET WITH ASSISTANT FINANCE MINISTER HONG SUNG HWAN TO DISCUSS THE RESULTS OF HIS VISIT. HONG HAD NOT BEEN BRIEFED BY MINISTER NAM, AND HE EXPRESSED SOME SKEPTICISM ABOUT THE SALEABILITY IN KOREA OF LIFE INSURANCE ON A BASIS OTHER THAN A SHORT-TERM SAVINGS PLAN. HE ACKNOWLEDGED THAT LOCAL FIRMS HAD FILED TO MOBILIZE ANY SIGNIFICANT AMOUNT OF CAPITAL FOR DEVELOPMENT, AND STATED THAT WHILE ROKG POLICY HAS CONSISTENTLY OPPOSED THE ENTRY OF NEW FIRMS TO THE MARKET, HIS MINISTRY WOULD WELCOME A REPORT FROM AIG ON THE RESULTS OF THE STUDY AND IT WOULD THEN BE UP TO THE MINISTER TO MAKE A DECISION.

6. ANY ENTRY INTO THE KOREAN LIFE MARKET BY AIG IS LIKELY TWO TO FIVE YEARS AWAY, NOT ONLY BECAUSE OF THE POLITICAL CONSIDERATIONS INVOLVED IN THE GRANTING OF A LICENSE, BUT BECAUSE THE STATISTICAL BASIS ON WHICH SUCH INSURANCE WOULD BE WRITTEN IS STILL UNDEVELOPED AND THE MARKET IS COMPLETELY UNEXPLORED. THERE IS A COMPLETE LACK OF SOPHISTICATION WITHIN KOREA ON THE SUBJECT OF LIFE INSURANCE, AND INCREASED EXPOSURE BY U.S. EXPERTS CAN ONLY BE ADVANTAGEOUS TO THE U.S. INDUSTRY. HONG APPEARED TO RECOGNIZE THE NEED TO EXPLORE OVERSEAS TECHNOLOGY; AND HE STATED THAT THE ROKG HAD APPLIED TO RECEIVE TWO INSURANCE SPECIALISTS THROUGH THE INTERNATIONAL

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EXECUTIVE SERVICE CORPS. HE ALSO EXPRESSED AN INTEREST IN RECEIVING A COPY OF AIG'S SURVEY WHEN COMPLETED.

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